

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00
FRB-03 IO-13 CIAE-00 INR-07 NSAE-00 L-03 H-01 FTC-01
JUSE-00 DODE-00 PA-01 PRS-01 /087 W
----- 056259

R 090917Z DEC 76

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 6712

INFO AMEMBASSY KUALA LUMPUR

AMCONSUL HONG KONG

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KUALA LUMPUR FOR IRS

HONG KONG FOR TREASURY ATTACHE

DEPARTMENT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, SN

SUBJ: GOVERNMENT OF SINGAPORE REQUESTS RESUMPTION OF TAX
NEGOTIATIONS

REF: SINGAPORE 5433

1. EMBASSY HAS RECEIVED FOLLOWING DIPLOMATIC NOTE FROM SINGAPORE MINISTRY OF FOREIGN AFFAIRS:

2. BEGIN TEXT. THE MINISTRY OF FOREIGN AFFAIRS PRESENTS ITS COMPLIMENTS TO THE EMBASSY OF THE UNITED STATES OF AMERICA AND HAS THE HONOR TO REFER TO THE PRELIMINARY NEGOTIATIONS ON THE AVOIDANCE OF DOUBLE TAXATION HELD BETWEEN SINGAPORE AND THE UNITED STATES IN MARCH 1975.

3. THE MINISTRY WISHES TO INFORM THE EMBASSY THAT SINGAPORE IS READY TO RESUME NEGOTIATIONS ON THE AVOIDANCE OF DOUBLE TAXATION BETWEEN THE 2 COUNTRIES WITH THE AIM OF CONCLUDING
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AN AGREEMENT IN THE NEAR FUTURE AND WOULD APPRECIATE IT IF

THE EMBASSY COULD INFORM THE RELEVANT UNITED STATES AUTHORITIES ACCORDINGLY.

4. THE MINISTRY WOULD APPRECIATE BEING INFORMED OF THE DATES CONVENIENT TO THE RELEVANT UNITED STATES AUTHORITIES FOR THE PROPOSED MEETING. END TEXT.

5. COMMENT: DEPARTMENT WILL RECALL THAT INITIAL TAX NEGOTIATIONS WERE HELD BETWEEN GOS AND US TREASURY TEAM, HEADED BY NATHAN GORDON IN MARCH 1975. AT CONCLUSION OF THOSE DISCUSSIONS, IT WAS AGREED THAT FURTHER TALKS WOULD BE HELD LATER IN 1975. THESE TALKS NEVER MATERIALIZED, AND EMBASSY IS UNAWARE OF ANY OTHER DEVELOPMENTS IN TAX NEGOTIATIONS AREA SINCE MARCH 1975. WE THEREFORE CAN ONLY SPECULATE WHY THESE TALKS WERE BROKEN OFF FOR SUCH A LONG PERIOD. FROM POINT OF VIEW OF SINGAPORE, PERHAPS FURTHER TALKS AFTER MARCH 1975 SEEMED UNDESIRABLE, UNTIL NOW, BECAUSE OF UNCERTAINTIES ABOUT POSSIBLE CHANGES IN UNITED STATES INTERNATIONAL TAX LAW. WE ARE UNAWARE OF ANY IMPEDIMENTS TO TALKS HAVING OCCURRED AS RESULT OF ANY ACTION ON US SIDE (ALTHOUGH WE UNDERSTAND FROM MINFINANCE OFFICIAL THAT NATE GORDON HAS PASSED AWAY).

6. BELIEVE GOS IS SEEKING TALKS AGAIN AT THIS TIME BECAUSE IT FEELS SOME OF UNCERTAINTIES ABOUT US TAX PICTURE HAVE BEEN RESOLVED. IN ADDITION, TAX TREATY DESIRED BY SOME US MULTINATIONALS PRESENT IN SINGAPORE, OR CONSIDERING LOCATING HERE.

7. IN PAST, TAX SPARING HAS BEEN AN ISSUE IN TALKS BETWEEN GOS AND USG. WHILE GOS COULD RAISE THIS OLD CHESTNUT AGAIN, FOR FORM'S SAKE, WE BELIEVE IT NOW REALIZES THIS IS A NON-STARTER. HOWEVER, GOS WILL PROBABLY RAISE QUESTION OF TREATMENT OF CORPORATE INCOME AS CAPITAL GAINS.

8. GOS ALSO INTERESTED IN TAX DEFERRAL QUESTION. IN A RECENT JOINT STATEMENT BY PRESIDENT SUHARTO OF INDONESIA AND SINGAPORE PRIME MINISTER LEE, THE TWO LEADERS AGREED THAT ASEAN SHOULD MAKE A JOINT APPROACH TO US TO OBTAIN FAVORABLE TAX TREATMENT FOR INVESTMENTS IN ASEAN COUNTRIES. WE BELIEVE THE INITIATIVE FOR THIS STATEMENT CAME FROM PRIME MINISTER LEE (SEE PARA 5 REFTEL). WHILE IT IS NOT ENTIRELY CLEAR WHAT PM HAD IN MIND, LIMITED OFFICIAL USE

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IT MAY BE THAT GOS IS CONCERNED THAT US WILL BEGIN TO TAX SOME OVERSEAS INCOME OF US MULTI-NATIONALS ON A CURRENT BASIS, AND HOPES TO NEGOTIATE AN AGREEMENT TO CONTINUE TO DEFER TAX ON US CORPORATE PROFITS IN SINGAPORE FOR SOME SPECIFIC PERIOD.

9. ACTION REQUESTED: PLEASE ADVISE HOW EMBASSY SHOULD REPLY TO GOS REQUEST FOR RENEWED TALKS. SPECIFICALLY WHEN COULD TALKS BE RESUMED, AND WHERE? (EMBASSY UNDERSTANDS FROM GOS MINISTRY

OF FINANCE OFFICIALS THAT SINGAPORE IS OPEN IN REGARD TO VENUE,
IE, WOULD PROBABLY RESPOND POSITIVELY TO INVITATION TO SEND
NEGOTIATION TEAM TO WASHINGTON THIS TIME.) WOULD ALSO APPRECIATE
ANY BACKGROUND AS TO REASONS ON USG SIDE WHY THESE TALKS HAVE
BEEN ON THE SHELF FOR SO LONG. HOLDRIDGE

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Margaret P. Grafeld
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